

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1734-01
Bill No.: HB 696
Subject: Contracts and Contractors; Construction and Building Codes; Insurance - General
Type: Original
Date: March 14, 2011

Bill Summary: Modifies provisions relating to the treatment of indemnification, insurance, and hold harmless clauses within construction work contracts.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration - Division of Facilities Management, Design and Construction, Office of State Courts Administrator, Department of Insurance, Financial Institutions, and Professional Registration, Department of Labor and Industrial Relations , Missouri Department of Transportation, Missouri Department of Conservation, St. Louis County, Kansas City Metropolitan Community College, Linn State Technical College, Northwest Missouri State University, Missouri Southern State University, Missouri Western State University, Missouri State University and University of Central Missouri** assume the proposal would have no fiscal impact on their agencies.

Officials from the **University of Missouri** assume the legislation will have no significant impact on their organization (over \$100,000).

Officials at the **City of Kansas City (City)** assume this legislation would have a negative fiscal impact on the City because of the increased liability exposure. This legislation would limit the City's ability to require an intermediate level of indemnification in its construction contracts, which is now supported by insurance. This proposed legislation would bring it "down" to a "limited" level. Each party would be liable only for each party's own respective negligence. Right now, even if Kansas City is 99% at fault, as long as the contractor is 1% at fault the insurance would cover the City. The contractors, by statute, pass the costs on to Kansas City anyway and the exposure is limited to the amounts of insurance required.

Kansas City no longer requires that it be indemnified for its own negligence (sole negligence or a "broad" level of indemnity). The City uses the intermediate level described above. The changes proposed in this legislation would take that away and Kansas City would be left with the limited level.

Oversight assumes the City of Kansas City will incur a minimal fiscal impact as a result of this legislation as it is impossible to determine when a liability issue could occur.

FISCAL IMPACT - State Government

FY 2012
(10 Mo.)

FY 2013

FY 2014

\$0

\$0

\$0

FISCAL IMPACT - Local Government

FY 2012
(10 Mo.)

FY 2013

FY 2014

\$0

\$0

\$0

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

The proposed legislation appears to have no fiscal impact.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration -

Division of Facilities Management, Design and Construction

Office of State Courts Administrator

Department of Insurance, Financial Institutions, and Professional Registration

Department of Labor and Industrial Relations

Missouri Department of Transportation

Missouri Department of Conservation

City of Kansas City

St. Louis County

Kansas City Metropolitan Community College

Linn State Technical College

Missouri Southern State University

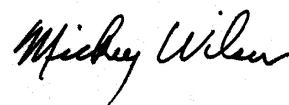
Missouri State University

Missouri Western State University

Northwest Missouri State University

University of Central Missouri

University of Missouri



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March 14, 2011

HWC:LR:OD